



USAID
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BULGARIA

GLOBAL CLIMATE CHANGE

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USAID climate change activities in Bulgaria focus on developing a regulatory framework for the energy sector that will promote efficient energy use and on environmental programs that promote biodiversity conservation. Important environmental initiatives include improved natural resources management, a protected areas network, financial mechanisms for environmental protection, and ecotourism.

Background. Bulgaria has an energy-intensive economy due to inefficient energy production and consumption. The power system is the largest source of emissions in Bulgaria. Passage of a modern energy law and regulatory framework has Bulgaria on a path to a more efficient system. The initiation of national and regional competitive electricity markets will result in more efficient generation and use. The current electricity system generation consists of aging coal-fired and nuclear plants. Two unsafe nuclear plants have closed with two more to follow. Privatization and investment are underway that will improve efficiency in existing thermal plants. Inefficient district heating systems and apartment blocks result in excess energy use and emissions. The expansion of the natural gas system will lead to more efficient heat and electricity production. Inefficient energy use by industry, municipalities, and households is facilitated by low tariffs and inadequate investment in energy efficiency measures. In addition to the energy system, logging and other activities adversely impact Bulgaria's forest and other natural resources, with climate change implications.

Sector-Specific Climate Change Activities. The USAID projects described below contribute to mitigating the effect of global climate change and reducing Bulgaria's vulnerability to climate change.

Energy Regulatory Development. Central to the power system reform effort is the creation of a regulatory environment that will attract rehabilitation and environmental investments. USAID supported the development of the modern energy law and is assisting the State Energy Regulatory Commission in the development of a competitive electricity market; economic tariffs for electricity, gas, and district heating; licensing and regulatory reporting; and sector monitoring. This work provides incentives for more efficient energy use, investments in thermal power plant rehabilitation and environmental upgrades, alternatives to unsafe nuclear facilities, and the development and use of more efficient heating systems.

Biodiversity Conservation and Economic Growth. In Bulgaria, there are two major USAID environmental programs that address climate change and specifically contribute to participation in the United Nations Framework Convention on Climate Change. One of these, the Biodiversity Conservation and Economic Growth (BCEG) project, represents Europe's first national biological diversity conservation strategy. Following the strategy's development (with policy support from USAID/Bulgaria), three important pieces of legislation have been adopted – the Protected Areas Act, the Environmental Protection Act, and the Biodiversity Act. These important policy documents have set the legislative framework for

USAID's partners in climate change activities in Bulgaria include*:

- Bulgarian Civil Protection Agency
- Electrotek
- Pierce Atwood
- Ministry of Environment and Waters (MOEW)
- Rila and Central Balkan Park Directorates
- United Bulgarian Bank (UBB)
- World Bank/Global Environment Facility (GEF)

* Because partners change as new activities arise, this list of partners is not comprehensive.

For more information on USAID's climate change activities in Bulgaria, visit USAID/Bulgaria's Mission Web site at:

- <http://www.usembassy.bg/prog/director.html>

improved forest and natural resources management, the creation of a national system of protected areas, and the establishment of financial mechanisms for environmental protection. To further implement environmental initiatives, BCEG is helping various park directorates with improved management techniques, training, public awareness, and ecotourism development. Ecotourism remains an important industry in Bulgaria, which has prompted efforts to draft a framework and made Bulgaria the first European country to implement a national ecotourism strategy.

The BCEG project has managed to secure the endorsement of three ministries for the development of a parks endowment fund for capital improvements and other projects related to the country's protected areas network. The Bulgarian government's commitment was augmented with a pledge of \$6.25 million over the next five years as matching funds to other donor contributions. The World Bank has also made a pledge for a \$2 million Global Environment Facility grant.

USAID is working through the BCEG project to develop pilot enterprise activities of "initiative groups" linked to natural resource collection. These groups aim to leverage private resources through the formation of park management-related business plans. These business plans could be used to apply for commercial loans or seek private investors.

USAID also supports the development of Bulgaria's protected areas network through long-term geographic information systems (GIS) ecological monitoring programs; development of a Rila Monastery Nature Park management plan; and a wildland fire management project aimed at increasing the capacity of Bulgarian institutions to combat wildland fires.

Municipal Energy Efficiency Program. The second major USAID environmental program addressing climate change in Bulgaria is the Municipal Energy Efficiency Program (MEEP). As of February 2004, 24 municipalities and eight private companies in Bulgaria were receiving technical assistance (\$13 million in project costs and \$9 million in debt financing) in developing proposals for energy efficiency projects under MEEP. Project staff are working closely with the loan applicants in completing their proposal business plans and in structuring financial deals with United Bulgarian Bank. The business plans, cash flow, and risk analyses developed by MEEP are used as models for municipal and industrial projects prepared for financing under the Development Credit Authority (DCA).¹ Notably, they have all been successful in accessing credit under DCA, which provides up to a 50% U.S. government guarantee on energy efficiency loans. Thirty MEEP-supported projects have already received commercial loans worth \$9,546,148.

¹ The Development Credit Authority (DCA) is an entity that seeks to further economic growth in USAID-assisted countries through the use of credit guarantees. As such, DCA is a financing tool designed to allow USAID to fund financially viable activities where credit is determined to be preferable to traditional grant funding.